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SIPDIS

EUR/NB (MMCDOWELL), DEPARTMENT OF ENERGY (EROSI, TSARKUS,
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SUBJECT: NORWAY: STATOILHYDRO AND IRAN

REF: A. OSLO 387
B. 8/1/08 TO EMAIL TO MMCDOWELL

Classified By: DCM Kevin M. Johnson, Reasons 1.4 (b) and (d)

1. (C) Summary. Following increasing USG pressure and Total's recent public decision to pursue no Iranian South Pars energy projects, StatoilHydro chief executive Helge Lund announced his company would not pursue any new Iranian projects. The executive telephoned the Ambassador, emphasizing Lund's decision to make this position known publicly. Another StatoilHydro executive stressed the importance of Lund's statements, identifying them as a clear signal to where the company was heading--namely, out of Iran. End Summary.

Lund to FT: "No New Investments"

2. (C) A July 31 Financial Times interview with StatoilHydro's chief executive Helge Lund included the

Norwegian energy giant's commitment to no new Iranian investments. The FT reported Lund pledging StatoilHydro "will not make any new investments in Iran at this time." Referring to discussions with the U.S. and authorities in both Norway and the E.U., Lund stated that the company would soon reduce involvement in the South Pars gas project, transferring control to Iran's national oil company by early 2009. The interview concludes with reference that StatoilHydro, paid as a service contractor, will be involved in South Pars until it recoups its costs, possibly in four years. (Note StatoilHydro, the world's ninth largest energy company, is majority government-owned. The company invested over \$500 million in the South Pars project).

Norwegian Press Conference: We Made Our Own Decision

3. (U) On August 1 Lund held a press conference reflecting the company's now public decision to not seek new Iranian projects (Ref Email). Several questions emerged concerning the dialogue with the USG. Lund denied that USG discussions determined the discussion, and said ultimately the commercial decision to halt new Iranian projects rested with the company. The chief executive reiterated that StatoilHydro would extricate itself from South Pars following investment cost recapture.

4. (C) Econ Officer spoke with a senior StatoilHydro executive following the press conference. The executive stressed the import of Lund's statement, saying it was very clear that the company would not make any new Iranian investments. He reaffirmed StatoilHydro will pull out of South Pars after investment costs are returned. When questioned about the implications of Lund's statement on StatoilHydro's Anaran project, the executive was unclear. He reiterated that the company would not withdraw from its Anaran obligations, but yet not make any new project investments. He stressed that the Iranian government will "not make it easy" for the company to withdraw from Anaran, but the company would "refrain" from new business. The executive could not clarify the scope of its existing Anaran commitments.

Ambassador's Call with Lund

5. (C) Immediately after the press conference, the StatoilHydro chief executive called the Ambassador, emphasizing that he was being extremely proactive with the media in an effort to get out the message that StatoilHydro will have no new Iranian investments. Lund noted that he felt other companies made Iranian investments, but that his company faced "bad timing." He further stated that StatoilHydro had been, and would continue to be, extremely open with the USG as to the company's Iranian plans. The Ambassador raised the ongoing dialogue he and his staff have had with Lund and StatoilHydro over the years, which stressed

the negatives of any Iranian involvement. While the Ambassador welcomed StatoilHydro's public decision, he further cautioned Lund as to the risks of Iranian investments.

Risk Management?

6. (C) Comment. Lund's public statements and discussion with the Ambassador, particularly following U/S Burn's recent

Congressional testimony and the continued company dialogue with State officials (Reftel), reflects growing StatoilHydro concerns over possible Iran Sanctions Act implications. The company has made it clear that it wants to recoup costs, and get out of Iran. With expansion ambitions in its sizable Gulf of Mexico and Chukchi Sea projects, the company does not want those projects jeopardized by possible ISA sanctions. Nevertheless, the company should clarify when it will pull out of Anaran. End Comment.

WHITNEY

=====CABLE ENDS=====